

# Maricopa Incentives



## Summary of State and Local Economic Development Incentives

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# State Incentives

Arizona offers a wide variety of economic incentives to encourage high-wage job growth and capital investment. The Arizona Department of Commerce is the central source of information for Arizona's business incentives, which can be found online at: <http://www.azcommerce.com/BusAsst/Incentives/Home.htm>

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## **Arizona Department of Commerce Job Training Program**

This is a job-specific, reimbursable grant program that supports the design and delivery of customized training to meet the specific needs of employers, create new jobs and help increase the skill and wage levels of employees in Arizona. This program can provide grant money to your company for training new employees, or to supplement training programs for incumbent employees. Under the "Net New Hire" portion of the grant program, businesses can apply for grants that return up to 75% of the costs of training net new employees in jobs that meet wage criteria. The "Incumbent Worker" portion of the grant program will allow for training that upgrades the skills of existing employees. The Incumbent Program can reimburse employers up to a maximum of 50% of allowable training costs. Award amounts may not exceed \$1,500,000 for any single employer and may range up to \$8,000 per position for rural or small business employers located in enterprise zones. For more info, [visit the Job Training Program online](#).

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## **Foreign Trade Zone Program**

- The program offers the following two primary benefits:
  1. **Duty-Free Storage:** The FTZ is a secured area treated as though legally outside of the U.S. Customs territory where merchandise may be brought duty-free for purposes such as storage, re-packing, display, assembly or manufacturing. Imports may be landed and stored quickly without full customs formalities.
  2. **Property Tax Reduction:** Arizona is the only state in the U.S. that has enacted special legislation that provides an 80% reduction in real and personal property taxes for companies qualifying for FTZ or sub-zone designation.

For more information about these incentives, please contact the FTZ office at 602-771-1124 or [review the program online](#).

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## **Accelerated Depreciation**

The State of Arizona provides an aggressive accelerated depreciation schedule to encourage new capital investment and reduce a company's personal property tax liability. The Arizona Department of Commerce will work with company personnel to analyze tax liability and identify specific benefits of the accelerated depreciation schedule. Accelerated depreciation is typically applied to the first four years of the property assessment and accelerates depreciation by five percentage points per year for four years. After the fourth year, taxable value continues to be determined using Arizona Department of Revenue schedules. The accelerated rate reaches 88% of the scheduled value in year four.

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## **Lease Excise Tax**

The [Government Property Lease Excise Tax Program](#) has been established by the State of Arizona and is available to businesses that lease parcels from a municipality rather than own them outright. All real property tax has been waived and replaced with an excise tax that is an established rate per square foot and based upon the type of use. The rate is reduced every ten years by 20% until it reaches the 51st year, when the tax drops to zero. In some redevelopment districts, the excise tax can be abated for the first eight years after the certificate of occupancy. If a municipality is a property owner, this creates a huge incentive for a company to occupy the facility, or allows them the cash flow to perform improvements. Any business or entity occupying a facility on property owned by the municipality (the building may be owned by the private entity, but land on which it sits must be leased from a city). The program typically is used to spur development and redevelopment in downtown areas.

# State Tax Benefits

## **Small Business Capital Investment Tax Incentive Program (Angel Investment Program)**

The main objective of the Angel Investment program is to expand early stage investments in targeted Arizona small businesses. The program accomplishes this goal by providing tax credits to investors who make capital investment in small businesses certified by the Arizona Department of Commerce (Commerce).

### ***Income Tax Credit Provisions***

An investor seeking an income tax credit must document to Commerce the investment was made in either a qualified rural or bioscience company or any other qualified small business. For a qualified bioscience or rural company, the tax credit may total up to 35% of the investment amount over three years; for any other qualified business, the tax credit may total up to 30% over three years. If the tax credits exceed the investor's income tax liability, any unused tax credit amount may be carried forward for up to three taxable years as long as the investor timely claims the credits with Revenue.

Commerce may authorize up to \$20 million in tax credits to qualified investors beginning July 1, 2006 through June 30, 2011. The tax credits will be authorized on a first come, first served basis, which is established by the date and time the investor files an application with Commerce.

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## **Research & Development Income Tax Credit**

[Research & Development Income Tax Credit](#) is a state income tax credit for qualified research and development done in Arizona. This includes research conducted at a state university and funded by the company.

The amount of the credit is based on the federal regular credit computation method for Arizona qualified research expenses and Arizona basic research payments. If the allowable expenses do not exceed \$2,500,000 the allowable credit is 20 percent of this amount. If the allowable expenses exceed \$2,500,000, the allowable credit amount is \$500,000 plus 11 percent of the amount of expenses over \$2,500,000, subject to certain limitations. The amount of credit carryover that may be used in any taxable year is limited to the amount by which the tax liability exceeds the current year credit for increased research activities.

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## **Enterprise Zone Program (Property Tax Reduction & Income or Premium Tax Credits)**

Improves the economies of areas in the state with high poverty and/or unemployment rates by encouraging the creation of quality jobs and capital investment. Can provide an approximate 40-60% overall savings on the business' property tax bill through a five year reclassification of real and personal property. Qualified manufacturers and commercial printers located in an Enterprise Zone must meet the following criteria:

- minority-owned, woman-owned or small (a small business has 100 or fewer full-time employees or gross sales of \$4 million or less)
- independently owned and operated (not owned more than 50% by another company unless the ultimate ownership is primarily family-owned or closely held)
- and makes an investment in fixed assets at the zone between \$500,000, \$1 million or \$2 million, depending upon the location of the facility.

The investment can be aggregated from 1/1/2001 as long as the zone was in place during that time.

Tax credits may total up to \$3,000 for each net new quality job over three years for a maximum of 200 employees in any given tax year. For more information on qualification requirements, visit <http://www.azcommerce.com/BusAsst/Incentives/Enterprise+Zone.htm>

# State Tax Benefits

## Commercial Solar Energy Tax Credit Program

The primary goal of the [Commercial Solar Energy Tax Credit Program](#) is to stimulate the production and use of solar energy in commercial and industrial applications by subsidizing the initial cost of solar energy devices. The program achieves this goal by providing an Arizona income tax credit for the installation of solar energy devices in Arizona business facilities.

### Tax Credit Provisions & Limitations

An eligible applicant is a business that installs a solar energy device at its Arizona facility. The tax credit is equal to 10% of the installed cost of the solar energy device not to exceed \$25,000 in credits for one building in a single tax year and \$50,000 total credits per business per tax year. Tax credits can be used to offset Arizona income tax liability; any unused credit amounts can be carried forward for a five-year period. Commerce cannot certify tax credits under this program that exceed \$1,000,000 in any calendar year. Therefore, tax credits are authorized on a first come, first served basis, according to a priority placement number issued by Commerce based on the date of receipt of a completion report.

Senate Bill 2429, which established the Solar Energy Tax Credit Program, also provided the following:

1. A **transaction privilege tax exemption** (TPT exemption) on:
  - o The total sales price of solar energy devices sold by retailers that are registered with the Arizona Department of Revenue (Revenue). See A.R.S. §§42-5061 and 42-5001.
  - o Gross income from contracts to provide and install solar energy devices. There is no limit on the amount of the contract. The prime contractor must be registered with Revenue to receive the TPT exemption. See A.R.S. §§42-5075 and 42-5001.
2. A **personal property exemption** on solar energy devices used for the production of solar energy for on-site consumption. These devices are considered to add no value to real property and, therefore, do not raise property taxes. See A.R.S. §§42-11054 and 42-1761.

The tax credit program is administered through Commerce. However, the TPT and property tax incentives provided by the bill are administered through Revenue. For more information and to download Revenue's forms, visit <http://www.azdor.gov/>

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## Motion Picture Production Tax Incentives Program

The primary goal of the Motion Picture Production Tax Incentives Program is to promote and stimulate the production of commercial motion pictures in Arizona. The program achieves this goal by providing incentives for qualified motion picture production companies. The program offers the following incentives:

- **Transaction Privilege Tax Exemption** on:
  - o Purchased machinery, equipment and other tangible personal property,
  - o Job printing, embossing, engraving and copying,
  - o Leased or rented lodging space,
  - o Sales of catered food, drink and condiments, and
  - o Construction contracts for buildings and other structures.
- o **Use Tax Exemption** - on machinery, equipment and other tangible personal property.
- o **Income Tax Credit** - an Arizona transferable income tax credit equal to 10%, 15% or 20% of the company's investment in eligible Arizona production costs.

# Environmental

## **The Waste Reduction Assistance Program (WRA)**

Waste Reduction Assistance program funding is awarded by the Arizona Department of Environmental Quality (ADEQ) to projects devoted to waste reduction, recycling, and composting. WRA projects may include new recycling collections, household hazardous waste collections, electronics recycling programs, mulching or composting operations, material processing operations and manufacturing facilities that use recycled material as a feedstock. Capital improvements to expand existing programs or these types may also be proposed. Eligible applicants include private companies, non-profit organizations, political jurisdictions, and Tribal governments within Arizona.

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## **Waste Reduction Initiative Through Education Funding (WRITE)**

Waste Reduction Initiative Through Education funding is awarded by the Arizona Department of Environmental Quality (ADEQ) to projects that educate the citizens of Arizona about waste reduction, recycling, composting, and the opportunities they have to participate. Projects may include multi-media campaigns, school curriculum, seminars and workshops, technical assistance, pamphlets and flyers. Eligible applicants include private companies, non-profit organizations, political jurisdictions, and Tribal governments within Arizona.

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## **Recycling Research and Development (RR&D)**

Recycling Research and Development program funding is awarded by the Arizona Department of Environmental Quality (ADEQ) to projects that involve research, including feasibility studies, solid waste audits and marketing and/or technology development, such as new equipment or processes. The overall objective of these projects is to increase the proper disposal of solid waste, source reduction, recycling, buying recycled content products, and/or composting. Eligible applicants include private companies, non-profit organizations, political jurisdictions, and Tribal governments within Arizona.

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## **Pollution Control Tax Credit**

This tax credit is administered by the Arizona Department of Revenue (AZDOR). The credit provides a 10 percent income tax credit on the purchase price of real or personal property used to control or prevent pollution. For further information, please contact the Arizona Department of Revenue: (602) 255-3381.

Alternatively, please call the Department of Commerce Business Development Manager, Environmental, at (602) 771-1172.



# Local Incentive Tools

## **Enterprise Zone**

The City of Maricopa is located in an Enterprise Zone (see page 3 for details), which provides Property Tax Reduction & Income or Premium Tax Credits for qualified manufacturers and commercial printers. Details on the Pinal County Enterprise Zone along with a map can be found online at <http://pinalcountyaz.gov/Pages/EnterpriseZone.aspx>

## **Project Fast-Tracking**

The City of Maricopa, through Council Resolution 07-62, passed unanimously on December 4, 2007, has implemented a Fast Track Permitting Process for qualified new, expanding or relocating businesses. Recognizing the need to offer a business-friendly environment which allows businesses to relocate and expand in the community rapidly and efficiently, the City is committed to streamlining and simplifying, where possible, its governmental permitting processes. For more information, contact the Economic Development Department for a program details and application materials or [download it from the City website](#).

## **Inspection Assistance**

For projects deemed beneficial to the residents of Maricopa, the City may assign a dedicated commercial building inspector to your project during the entire course of the construction process.

## **Development Agreements**

Development agreements generally give some type of benefit to the developer, such as a repayment for public infrastructure improvements through sales tax rebates. Arizona municipalities are restricted to providing only tax incentives consisting of reimbursements for public infrastructure and may not exceed or otherwise be disproportionate to the actual cost incurred. Maricopa has in the past entered into development agreements, and is willing to explore this option with any business bringing a high level of economic benefit to the community.

## **Industrial Development Authority**

The IDA of the City of Maricopa encourages economic growth and job creation in the City of Maricopa by making low-interest loans available to qualified projects through the issuance of tax-exempt bonds. Financing must meet state bond law requirements, and all projects are reviewed to ensure that financing candidates represent projects that will help to further the community's vision for sustainability. Interest on private activity bonds in most cases are not subject to federal income taxes. For IDA policies, procedures, and application guidelines contact the staff liaison in the City economic development department or visit the [IDA page online](#).

## **Potential Redevelopment District for Downtown Maricopa**

Efforts are currently underway to establish a redevelopment district in the City of Maricopa for the purposes of revitalizing the area and encouraging private investment. A Redevelopment District requires a plan that lays out broad goals and guidelines for the area to be revitalized. State statutes provide an outline of material to be included in the plan. In some redevelopment districts, the GPLET (see page 3) can be abated for the first eight years after the certificate of occupancy. Maricopa estimates that this district and the accompanying benefits will be established by Spring 2009.

**City of Maricopa Economic Development Department**

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